

**University of Technology Sydney
School of Accounting**

Factors Impacting Audit Quality

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CERTIFICATE OF AUTHORSHIP/ORIGINALITY

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signature of Student

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ABSTRACT

The objective of this thesis is to evaluate the extent to which auditor-client relations and discounting on initial audit engagements undermine audit quality. While it has been claimed that close auditor-client relations undermine auditor independence and erodes audit quality, I find no evidence of this. This suggests that controls implemented by regulators, the profession and audit firms are operating effectively and the regulation prescribing auditor rotation is likely unnecessary. In relation to the concern that discounting on initial audit engagements erodes audit quality, I find that there are fee increases in periods subsequent to initial audit engagements and this suggests concerns that price pressure arising from discounting undermines audit quality are overstated. These results suggest that many of the concerns expressed about the threats to audit quality are misdirected.